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STATE FOR WHA/BSC
STATE ALSO FOR DS/IP/WHA, DS/DSS/ITA, DS/DSS/OSAC
STATE PASS USTR FOR SULLIVAN/CRONIN
STATE PASS EXIMBANK
STATE PASS OPIC FOR DMORONESE, NRIVERA, CVERVENNE
STATE ALSO PASS TDA FOR ANGULO AND MCKINNEY
NSC FOR FEARS
TREASURY FOR OASIA, DAS LEE AND JHOEK
USDOC FOR 4332/ITA/MAC/WH/OLAC
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SUBJECT: CONVERSATION WITH OPPOSITION FEDERAL DEPUTY

SENSITIVE BUT UNCLASSIFIED - PROTECT ACCORDINGLY

REF: (A) BRASILIA 107; (B) 06 SAO PAULO 980
(C) 06 SAO PAULO 73

SUMMARY

11. (SBU) Summary: Opposition Federal Deputy Arnaldo Madeira outlined what he considers Brazil's four major problems, which have the cumulative effect of impeding the country's economic growth. He also decried the immaturity of Brazil's political class, one symptom of which is the perennial weakness of political parties, including his own Brazilian Party of Social Democracy (PSDB), as illustrated by its weak, half-hearted defense of privatizations concluded during the 1995-2002 presidency of Fernando Henrique Cardoso (FHC) when they were attacked by President Lula during the 2006 presidential campaign. Madeira, who served (2001-2006) as Sao Paulo Governor Geraldo Alckmin's Chief of Staff until Alckmin left to run unsuccessfully for President, deemed it extremely unlikely that Alckmin would be a candidate again in 2010, but predicted that Alckmin will run for Mayor of Sao Paulo in 2008. Madeira has his own plans for political reform, beginning with changing to a single-district electoral system for the Chamber of Deputies. He characterized Lula as politically weak and predicted the PSDB would mount a strong and effective opposition during Lula's second term. On the state level, he identified a few areas where he thought Sao Paulo Governor Jose Serra could make a difference. End Summary.

DEPUTY PROPOSES CONGRESSIONAL DISTRICTS

12. (SBU) Poloff and Political Assistant met January 11 with Arnaldo Madeira (ref C), who was recently re-elected to a fourth term as Federal Deputy from Sao Paulo. Madeira, who served as Chief of the Civil Household to Sao Paulo Governor Geraldo Alckmin, said that during the campaign he visited 68 cities in this state of 40 million. He complained about Brazil's electoral system, especially the nationwide and statewide proportional allocation of votes in legislative races. In reply to poloff's remark that PT politicians have articulated the same complaint, Madeira noted that he, unlike the PT, favors a straightforward single-district system such as the U.S. has, as does former President Fernando Henrique Cardoso (FHC)(see ref B). Last November, Madeira introduced a proposal for a constitutional amendment that, if passed, would implement this change. The statewide, proportional electoral system (in which Sao Paulo, Brazil's largest state, elects 70 Deputies at large) results in a disconnect between voters and candidates, he said. Madeira's proposal differs from the PT's proposal for political reform in that it opposes party lists. The Lula/PT proposal involves a combination of single district and party list voting. It also calls for public financing of political campaigns (which Madeira considers "impossible"), and a requirement that politicians remain faithful to their party (a prohibition of the widespread practice of party-jumping).

PROBLEMS: EDUCATION, JUDICIARY, MANAGEMENT, POLITICS

13. (SBU) Madeira identified four major problems that he believes are holding Brazil back and impeding economic growth:

-- Education. Primary and secondary schools don't work. Children spend eight years in the public schools and leave functionally

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illiterate.

-- Judicial system. Courts are slow and inconsistent. The same law can be interpreted in a variety of different ways by different judges, causing widespread unpredictability as well as concerns about a lack of independence on the part of some judges.

-- Public administration. The bureaucracy is cumbersome and poorly structured, leading to gross inefficiencies.

-- Political system. There's no control over representatives (state and federal deputies, senators) once they're in office; they're not accountable to voters, who can't even remember who they voted for. They switch parties at the drop of a hat. Personalism leads to situations like the notoriously corrupt Paulo Maluf being elected Federal Deputy with the highest vote total in the country. The parties lack identity, so a candidate's personal fame and charisma become the dominant factors.

14. (SBU) Elaborating on the last point, Madeira commented that the PT is the only real political party in Brazil. Unlike the others, the PT has a real party apparatus, while the rest, including Madeira's own PSDB, are mere "membership cards." The PSDB is in the process of putting together a new program, which should be ready in the second half of 2007. The election for the party's leadership is expected to take place late in the year (anytime from September on).

FHC won't himself be a candidate, but he wants a big say in who replaces Tasso Jereissati as PSDB President.

WHITHER ALCKMIN?

15. (SBU) Madeira dismissed the possibility of former Governor Geraldo Alckmin's running again for President in 2010. He predicted, however, that Alckmin will run for Mayor of Sao Paulo in 2008, and that the most likely PT candidate was former Mayor (2001-04) Marta Suplicy. The next four years will see a rivalry between Sao Paulo Governor Jose Serra and Minas Gerais Governor Aécio Neves for the PSDB 2010 presidential nomination.

POLITICAL WEAKNESS ABOUNDS

¶16. (SBU) Despite his impressive showing in the second round of the election, President Lula begins his second term politically weak, in Madeira's view. Nobody knows what he is going to do or what his priorities are; he himself likely doesn't know. Lula went on vacation without naming new members of his Cabinet or articulating a legislative agenda. During the campaign, Madeira said, Lula's speeches were devoted to attacking FHC's administration, especially the privatizations of state-owned companies. The unwillingness of the opposition candidate - or anyone else in the PSDB - to speak up and highlight the benefits Brazilians had received from, for example, privatization of telecoms, illustrates the weakness of the party.

CONFUSION OVER CONTEST FOR CHAMBER PRESIDENCY

¶17. (SBU) Regarding the current competition for the Presidency of the Chamber of Deputies, Madeira declined to say whom the PSDB would support; however, he derided as "exotic" the idea of having a member of the Communist Party, which has only 13 of the Chamber's 513 seats, as President of the Chamber, as is currently the case. He

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said the Brazilian Democratic Movement Party (PMDB), as the largest party, would normally get to choose the President, but they made a deal to support the PT candidate in return for the job of First Secretary, the Chamber's extremely powerful number two leadership

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position. Thus, the PT and PMDB support Arlindo Chinaglia (PT-SP), who is challenging incumbent Aldo Rebelo of the Communist Party of Brazil (PCdoB), whom Lula supports. The fact that Lula's party is opposing his preferred candidate is emblematic of the current confused political situation. Everyone wants to avoid the fiasco of early 2005, when a split in PT ranks between two candidates led to the election as Chamber President Severino Cavalcanti (PP-PE) of the so-called "lower clergy" (backbenchers), who was widely regarded as unqualified for the job and as an embarrassment to Brazil. (Note: Cavalcanti was forced to resign in September 2005 after being credibly accused of corruption. End Note.) But they may be headed for just that. Madeira remarked that his own PSDB is "meeting-averse;" nobody wants to sit down and have a meeting to decide a controversial issue where there is a divergence of views, because they dislike airing their differences, even among themselves. It's a serious weakness, he acknowledged. Thus, all he would say for sure was that the PSDB was unlikely to nominate its own candidate, but rather would have to take sides between Rebelo and Chinaglia.

¶18. (U) (NOTE: Later the same day, the press announced that the PSDB leadership in the Chamber had decided to support Chinaglia, making him all but unbeatable. They apparently did so with only a straw poll, of some members, without meeting with anyone. At any rate, various party leaders close to Geraldo Alckmin and FHC immediately began howling about "betrayal," and PSDB President Tasso Jereissati, Senator from Ceara (northeast), called a meeting of the party leadership to discuss the issue. On January 16, the "group of 30" -- a newly-formed collection of independent-minded Federal Deputies from a variety of parties who favor a "third way" -- nominated Gustavo Fruet, a PSDB member from the southern state of Parana. The PSDB subsequently withdrew its support from Chinaglia and decided to support Fruet, throwing the outcome into doubt. The election will take place February 1, when the new Chamber is seated, with a second round likely. See ref A and stay tuned. End Note.)

BRAZIL SHOULD OBEY ITS OWN LAWS

¶19. (SBU) Brazil, Madeirasaid, needs to learn to obey its own laws.

There's a famous saying here, "a lei nao pegou," the law didn't stick. Laws - good laws - are passed but not implemented or enforced. The Constitution of 1988 has specific provisions governing the leadership of the Senate and the Chamber of Deputies -- Madeira had his secretary bring him the thick tome containing the Constitution and read passages from it, commenting on the various ways they are being flouted. He decried the lack of maturity of Brazil's political institutions and the "cultural backwardness" of the legal environment.

¶10. (U) Madeira served several times as the Government's Vice-leader in the Chamber and briefly as leader during FHC's administration. He does not, however, anticipate being one of his party's leaders in this Congress. The PSDB leader, he said, will be Antonio Carlos Pannunzio (PSDB-SP).

¶11. (SBU) Lula and his government are very popular with the people, Madeira said, but his failure to take action on important issues leaves a vacuum. The PSDB will do what it can to weaken him, and may succeed, he said; after all, Lula's mandate is not eternal. Madeira supports social security reform and will continue to call for it; however, if the majority does not propose it, he will not

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try to push it through Congress from a minority position. As an opposition Deputy, he noted, his job is to oppose.

SERRA WILL BE A GREAT GOVERNOR

¶12. (SBU) This will be an interesting four-year period, Madeira predicted, because the elections led to considerable turnover among Governors and what he called "a renovation of the political elite." Jose Serra, he prognosticated, will do an excellent job as Governor of Sao Paulo. He has certain challenges to meet. There are grave problems, for instance, in the state payroll system, from which 60,000 public-sector employees are paid. If Serra looks in the right places - and Madeira, based on his experience as Governor Alckmin's Chief of Staff, has told him where to look - can save 600 million Reals (about USD 275 million) just by eliminating payroll inefficiencies and abuses. Savings can also be made by improving the state government's internal communications.

COMMENT

¶13. (SBU) Despite (or perhaps because of) his five years as Geraldo Alckmin's right-hand man, Madeira does not talk like an Alckmin insider. He was critical of Alckmin's performance during the campaign, for example, and gave the impression of being much closer to FHC, who is still a force in the PSDB. Whichever camp, if any, he belongs to, Madeira is an able, experienced lawmaker with strongly-held views on what ails Brazil and some practical ideas on how to fix it. End Comment.

¶14. (U) This cable was coordinated/cleared with Embassy Brasilia.

MCMULLEN